

# ***Michigan State Planning Project for the Uninsured***

## ***Executive Highlights and Advisory Council Recommendations***

In light of pressing concerns surrounding the issue of the uninsured and the growing problem of access to affordable health insurance for Michigan's residents, the Michigan Department of Community Health (MDCH) launched the Michigan State Planning Project for the Uninsured. This initiative was funded by a federal Health Resources and Services Administration (HRSA) grant with the goal of developing realistic strategies to extend health insurance to all Michigan residents. MDCH coordinated this initiative from late 2004 through August 2006.

An integral component of the State Planning Project for the Uninsured was to expand the current knowledge base about uninsurance by collecting data about unmet needs, barriers to insurance coverage, and system changes needed to secure coverage for all Michigan residents. Data collection efforts included: the Michigan Household Health Insurance Survey of over 13,000 Michigan households; the Michigan Employer Health Insurance Survey of 1,200 Michigan employers; Focus Groups with employers, insurance brokers and the uninsured; and a Health Care Listening Tour consisting of eleven town hall meetings around the state.

Key to the project was a broad-based, responsive, and effective governance structure, including an Advisory Council to the Michigan Department of Community Health and three workgroups. The Advisory Council was appointed by the Director of MDCH, and included representatives of large and small businesses, unions, health care providers, local Chambers of Commerce, health plans, seniors, free clinics, consumers, local public health, and insurers. Three workgroups (Data Synthesis, Models Development, and Community Interface) assisted the Advisory Council by reviewing data gathering instruments and analyses; assessing models to expand insurance coverage; and developing strategies to engage community stakeholders and build consensus.

### **Background Information**

The health consequences of being uninsured are well documented, as are costs associated with care for the uninsured. These, along with rising health care costs, are creating challenges throughout Michigan. According to the Current Population Survey (CPS)

(2002-04 average), 11.4%, or approximately 1.1 million Michigan residents were uninsured. CPS estimates of the uninsured are higher than those based on the Michigan Household Health Insurance Survey, which found Michigan's uninsured population to be 800,000, or 7.8% of the population. (This difference between the survey findings may be explained by the number of people interviewed and by the questions, definitions, and methods used in the surveys. State surveys typically find lower rates of uninsurance than do CPS national surveys. While the Household Survey provided greater detail on the characteristics of the uninsured in Michigan, including regional data, CPS data is valuable as a source to compare Michigan's uninsured with those in other states and with the nation.)

Michigan has historically had a lower proportion of residents without health insurance than the national average, due primarily to the high-rate of employer-based coverage in Michigan. According to the CPS, in 2004, the percentage of non-elderly Michigan residents covered by employment-based health insurance was 68%, compared with 62% nationally; however, this was a reduction from previous years as the rate of employer-based coverage, both nationally and in Michigan, has dropped steadily over time.

The continued loss of manufacturing jobs, combined with a sluggish economy, has eroded employer-based coverage in Michigan. As a result, Michigan, like the nation, continues to struggle with increased demand for public insurance coverage; approximately 15% of Michigan's population is now covered by Medicaid.

Employers and individuals who purchase insurance pay a significant portion of the costs for health care for the uninsured or underinsured. Families USA estimates that in 2005, in Michigan, \$730/year was added to the cost of a family policy and \$274/year to an individual policy, to cover health care costs of the uninsured.

Rapidly rising health care costs have weighed down Michigan's large automotive industry and have become a major competitive burden, adding \$1,500 to the cost of each vehicle, according to General Motors Corporation chairman and chief executive G. Richard Wagoner, Jr.

# *Advisory Council Recommendations*

## **Process**

The Advisory Council met monthly between August 2005 and August 2006 and developed recommendations for expanding access to health insurance to all Michigan residents. During this project, over 40 options and mechanisms to extend health insurance to the uninsured were considered; these included health savings accounts, expansion of Medicaid, buy-in to the state employee plan, high deductible/catastrophic plans, high risk pools, and a multitude of other options.

The Advisory Council made its recommendations following thorough discussions and careful consideration of information from national organizations dedicated to studying health care issues, and documents specifically about Michigan's uninsured, as well as data gathered as part of the project, including the Household and Employer Surveys, and the focus group and town hall meetings. Consultants, who have worked extensively on health insurance expansion planning, were brought in to work with the Advisory Council, workgroup members and staff.

Using a consensus approach among key stakeholders and reflecting the quantitative and qualitative data collected, the Advisory Council developed the following recommendations to extend access to health insurance coverage to Michigan's uninsured.

## **Preamble**

The Advisory Council for the Michigan State Planning Project for the Uninsured supports the goal of accessible, affordable, quality health insurance coverage for all Michigan residents. The Council reached agreement on numerous short-term recommendations to increase access to health insurance coverage. Implementation of these recommendations would secure access to health insurance coverage for the majority of those who are currently uninsured.

A key first step is a public education initiative to inform policy makers, the public, and businesses of the importance and value of health care coverage for all Michiganians, to improve not only the quality of life, but also the business and economic climate in this State.

The members of the Advisory Council pledge to work collaboratively to implement these recommendations. We encourage the Governor and the Legislature to take an active role and establish a high priority for implementing these recommendations. Reducing the number of uninsured in Michigan will greatly benefit all residents, as well as improve Michigan's business climate.

Achieving health insurance coverage for all Michiganians will require an extensive ongoing effort; thus, we propose the establishment of a successor council. The successor council will establish additional strategies to work toward the goal while responding to changes within the state, the country, the business community, and the insurance industry.

## **Short-term Recommendations**

**1. Public Education Initiative:** To assure an informed public necessary for action towards the goal of accessible, affordable, quality health insurance coverage for all Michigan residents, we recommend that Michigan launch a public education initiative to inform residents and policy makers of the nature, severity and impact of Michigan having between 800,000 and 1.1 million of its residents without health insurance. This educational initiative should center on the ramifications of uninsurance and the importance of having health insurance coverage, such as:

- More severe health problems for those without insurance when they do not receive timely and adequate health care services;
- Cost shifting to purchasers of health insurance – employers, individuals and tax-funded public programs – which compounds the serious health cost problems facing Michigan employers and consumers;
- Reduced competitiveness for all Michigan employers, but especially smaller businesses and those who compete in the international arena;
- Financial endangerment of Michigan hospitals and other providers.

**2. Business Climate:** Covering the uninsured should improve Michigan's business climate by reducing the cost burden of health insurance on Michigan employers. At the same time, expansion efforts, at least in the short term, should seek to maintain or expand upon the employer-based health insurance system. Efforts are needed to address the current erosion in private coverage, and to provide incentives for employers, especially small businesses, to maintain or provide health insurance for their workers.

**3. Michigan First Healthcare Plan:** The Advisory Council supports the direction of the "Michigan First Healthcare Plan" to extend coverage to all the low-income uninsured, which would mean coverage for about half of the total uninsured in Michigan. Council members look forward to working with the Michigan Department of Community Health in development of the program.

**4. Medicaid Payments:** Inadequate Medicaid payment rates for physicians, hospitals, and other health professionals are creating challenges today for the provision of health care services to the Medicaid population, which continues to experience sustained growth as it has over the past 5 years. Moreover, it is widely understood that inadequate Medicaid payment rates result in providers shifting costs to other payers, driving up expenses for Michigan employers and individuals. Ultimately, inadequate Medicaid payment rates and the shifting of costs to other payers are having an adverse impact on health care access for the people of Michigan. Therefore, it is necessary to address the adequacy of Medicaid payment rates for providers, hospitals, and managed care organizations.

**5. Health Safety Net Providers:** Across Michigan, there is a patchwork of private and public health centers, clinics, and providers that comprise the health care safety net. In addition to serving a segment of the uninsured, safety net providers are also significant providers of care to low-income populations, including Medicaid beneficiaries and persons with limited private insurance coverage (the underinsured). The safety net plays a vital role for those who fall outside the medical and economic mainstream, providing access to primary and preventive care for many vulnerable populations. However, the demands placed on many safety net organizations continue to increase. The Advisory Council recommends that the health care safety net

provider system be strengthened to better address the health care needs of our most vulnerable populations.

**6. Group Health Plans:** The Advisory Council supports efforts to maximize enrollment of eligible individuals and dependents into group-sponsored health insurance. Every Michigan resident who has access to affordable and adequate group health insurance coverage – through employers, collective bargaining agreements, or public programs – should elect to enroll. Employers, unions, and government should develop incentives to ensure full enrollment. Educational efforts are also needed to inform Michigan residents of the importance of enrolling in available group health plans.

**7. Dependent Coverage:** Employers that offer health insurance to employees should be encouraged and offered incentives to offer dependent coverage (with or without employer contributions). Offering participation in the health insurance pool provides the benefits of group purchase for dependents, as well as potential tax advantages for employers and employees. In addition, health insurance carriers should be encouraged to inform policyholders of available options to continue coverage for dependents that may be losing eligibility as a result of age or change in student status. Educational efforts are also needed to inform Michigan residents of the importance of enrolling dependents in health insurance plans.

**8. Child-Only and Young Adult Policies:** The Advisory Council encourages public and private efforts to raise awareness among families with uninsured children and young adults, of the availability of child-only and young adult health insurance policies, including low-cost options. In addition, health insurance carriers should be encouraged to identify this emerging individual retail market and to develop and promote relevant insurance products for this market. Michigan colleges and universities should encourage students to have health insurance coverage, as well as offer and promote access to low-cost health insurance policies to students who do not have other options.

**9. Child Coverage:** The relatively high levels of coverage for children in Michigan should be maintained and, if possible, increased as efforts to move toward coverage for 100% of Michigan residents are pursued.

## **Successor Council: Ongoing Effort to Achieve Health Care Coverage for All Michiganians**

**10. Successor Council:** The Advisory Council supports creation of a successor council – a partnership that will focus on securing health insurance coverage for all Michigan residents and address the inextricably intertwined issues of cost containment, access, and quality of health care. A priority for the successor council will be to implement the recommendations of the State Planning Project Advisory Council.

The successor council should be non-partisan, independent of state government, and non-profit. It should include representation from all Michigan stakeholders, and be staffed sufficiently to assure its operational effectiveness. Given these characteristics, the successor council would be able to provide broad policy input to key State officials from the political parties and in both the Executive and Legislative branches on elements associated with assuring access to health insurance coverage for all Michiganians. Those implementing the successor council should seek funding from foundation and other private sources, preferably blended funding from a consortium of foundations.

**11. Successor Council Business Plan:** A phased-in project/business plan shall be developed by the successor council for covering the remaining uninsured.

- Each phase shall include: number of uninsured to be covered, timeline, sources of revenue (state and federal), expected costs or outlays, and remaining number of uninsured yet to be covered.
- The successor council shall arrange for a healthcare financing study to determine how health care dollars are spent in Michigan, and provide recommendations for change as appropriate.

- The business/project plan shall incorporate the recommendations of the Advisory Council.
- The business/project plan should be linked with other efforts to secure dramatic, consistent, and measurable improvement in cost, quality, and access.

## **Concluding Comments about the Advisory Council's Process**

The Advisory Council agreed to support the goal of health coverage for all Michiganians following a thorough discussion of the current health insurance environment in our state. The Council was able to reach consensus on the above recommendations because of the willingness of Council members to participate in extended discussion to overcome prior differences. That process enabled the members to better understand the philosophical and economic differences among the members, including all the major perspectives – consumers, employers, government, health care providers, health insurance carriers, organized labor, and voluntary advocacy organizations – and reach consensus that a continued dialogue would be required to meet the ultimate goal of coverage for all Michigan residents.

Implementation of the short-term recommendations would secure health coverage for those up to 200% of the poverty level, as well as for young adults, and children, and thus the majority of those currently uninsured. The successor council would continue to pursue consensus on the key issue of the roles to be played by the affected parties – consumers, employers, government, health care providers, health insurance carriers, organized labor, voluntary advocacy associations and others – to achieve meaningful health insurance coverage for all Michigan residents.

## ***State Planning Project for the Uninsured Advisory Council Members***

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Michigan Association of Health Plans  
SEIU Local 79  
Small Business Association of Michigan  
AARP/Michigan  
Michigan State University, College of Human Medicine  
Economic Alliance for Michigan  
Free Clinics of Michigan  
Michigan League for Human Services  
Michigan Health & Hospital Association  
Michigan State Medical Society  
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Department of Labor & Economic Growth  
Access to Care Community Coalition  
Blue Cross Blue Shield of Michigan  
Michigan Osteopathic Association  
Michigan Manufacturers Association  
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